

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House
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FISCAL IMPACT STATEMENT

LS 7747

BILL NUMBER: SB 443

DATE PREPARED: Jan 15, 2001

BILL AMENDED:

SUBJECT: Child Care Tax Credits for Employers.

FISCAL ANALYST: Diane Powers

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FUNDS AFFECTED: ☒ **GENERAL**
☒ **DEDICATED**
FEDERAL

IMPACT: State

Summary of Legislation: This bill establishes a state tax credit for an employer that operates or contracts for the operation of a child care program for its employees. The bill provides that the maximum amount of the credit for each taxable year is the lesser of \$20,000 or 40% of the employer's expenditures for capital and operating expenditures for a child care program.

Effective Date: January 1, 2002.

Explanation of State Expenditures: This bill will increase the administrative expenses of the Department of State Revenue to revise and create new tax forms, instructions and computer programs to accommodate this new tax credit. Taxpayers are required to submit an application for this credit on a separate form designed by the Department.

Explanation of State Revenues: This bill will provide a tax credit to employers who make capital or operating expenditures for an employee child care center. These credits must be for a child care program, of which at least 50% must be children of employees, is operated by or contracted with one or more employers, and is licensed by the Division of Family and Children. The tax credit is equal to the lesser of \$20,000 or 40% of the qualified program expenditures. Child care program capital expenditures are defined to include expenses for plans, acquisition, construction, reconstruction, renovation, or rehabilitation of depreciable property located in Indiana. Child care program expenditures are defined as the total expenditures made by a taxpayer during the year to operate the employer's program or a program jointly operated with another employer. A \$20,000 credit would equate to a minimum of a \$50,000 capital or program expenditure.

The tax credit may be applied to the employer's Gross Income, Adjusted Gross Income, Supplemental Net Income Tax Liability, Financial Institutions Tax, and Insurance Premiums Tax. If the tax credit exceeds the taxpayer's liability, the credit may be carried forward to the next three taxable years. If a pass through entity

does not have a state tax liability, they may apply this credit in proportion to the percentage of the entity's distributive income to which the shareholder is entitled.

According to the Family and Social Services Administration, there were approximately 23 employer-operated child care centers which were licenced in 2000, and 10 more were in the development process. It is not known how many of these would have capital or operating expenditures which would qualify under this new credit. If all 23 employers qualified for the maximum amount of this tax credit, there would be an annual reduction of approximately \$460,000 in tax revenue. If this tax credit provides an incentive for other employers to make qualified expenditures for an employee child care program, there would be a reduction in income tax revenue by a maximum of \$20,000 per taxpayer.

The tax credit applies to taxable years beginning January 1, 2002, and will affect income tax revenue collections beginning in FY 2003. Income tax revenue is deposited in the state General Fund and the Property Tax Relief Fund.

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: Family and Social Services Administration; Department of State Revenue.

Local Agencies Affected:

Information Sources: Family and Social Services Administration.